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UxC Interview with John Ciampaglia, CEO of Sprott Asset Management

Jonathan Hinze, President, UxC, recently had the opportunity to interview John Ciampaglia, Chief Executive Officer, Sprott Asset Management and Senior Managing Director, Sprott Inc. Mr. Ciampaglia has more than 25 years of investment industry experience and heads Sprott’s business activities in the area of physical metals trusts.

Jonathan Hinze: John, thank you for the opportunity to discuss Sprott’s entry into the physical uranium market through your recent agreement to take over management of Uranium Participation Corporation (UPC) and transition it into a new Sprott Physical Uranium Trust (“SPUT” or the “Trust”). For starters, can you please describe the factors that attracted Sprott to the uranium market and led you to this effort to establish a physical uranium trust?

John Ciampaglia:

Thank you to UxC for having me discuss our exciting new venture. We are a large asset manager of physical commodity funds and thought the acquisition of Uranium Participation Corp. (UPC) was the best way to enter the uranium market. We are contrarian by nature and feel the uranium market has been dislocated for some time. Following a protracted bear market, we believe a new bull market in uranium market is underway. UPC was a great investment vehicle, but it needed to be modernized and the Trust structure allowed us to make those improvements. Our unitholders will also benefit from the fact that our core business is asset management. This means we have the resources, knowledge and team needed to properly market the Trust and educate investors on the opportunities we see in the uranium space.



Hinze: Can you please briefly outline your overall plans for this new trust and tell us where you stand now in terms of implementing your strategy?

Ux Price Indicators Click for Market Page				
Weekly Ux U₃O₈ Price[®] (7/19/21)		\$32.20 (-\$0.15)		
Ux 3-Yr U ₃ O ₈ Price \$34.00		Ux 5-Yr U ₃ O ₈ Price \$38.00		
Month-End (6/28/21) *Calculated values				
U ₃ O ₈	Spot	\$32.10	NA Spot	\$19.50
	Spot MAP*	\$32.18	NA Term	\$18.00
	3-Yr Forward	\$34.00	EU Spot	\$19.50
	5-Yr Forward	\$38.00	EU Term	\$18.00
	Long-Term	\$32.00		
UF ₆ Spot	NA Price	\$102.75	SWU Spot	\$54.00
	NA Value*	\$103.37	SWU Long-Term	\$59.00
	EU Value*	\$103.37	EUP NA Spot*	\$1,393
			EUP NA Term*	\$1,406

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- Despite today’s start of trading for the new SPUT fund, the spot uranium market has remained mostly quiet over the past two weeks with prices drifting down slightly (see page 11).
- KHNP has begun loading fuel into the new APR-1400 at Shin Hanul 1 in South Korea (see page 3).
- UAMPS and NuScale have downsized their SMR project in Idaho to just six modules (see page 4).
- Yellow Cake plc’s latest annual results show that the fund is set to hold nearly 16 million lbs U₃O₈ following conclusion of all recent purchases (see page 10).

Ciampaglia: Our first objective is to modernize the offering through an investment trust format and have it operate largely in the same way as our precious metals trusts. Transparency is important to us, and we intend to do all we can to make the Trust more transparent. We will disclose holdings and the Trusts’ net asset value on a daily basis. We will also offer a US\$ purchase option to align it with the base price of uranium and the Trust’s largely U.S. investor base. And finally, we will also transition financial reporting to be in US\$ terms. Our second objective is to grow the size and liquidity of the Trust to attract more institutional investors. We will dramatically increase the amount of marketing that is done to increase investor awareness. We have developed an effective digital marketing and investor education platform, and we intend to use it to increase the profile of SPUT.

Hinze: I understand that a major new aspect to this trust that will differentiate it from UPC is that you will be seeking

dual listing in both Toronto (TSX) and New York (NYSE). How important is the NYSE listing and what challenges do you foresee in obtaining this listing?

Ciampaglia: The U.S. market represents a potentially huge pool of capital so a U.S. listing would have a clear benefit to the Trust. We would love to make it easier for U.S. investors to own SPUT. We have a great deal of experience in the listing process and, while it is not a slam dunk because it has never been done before, we are confident that we can get it done for our unitholders. The U.S. listing process will take time, but we believe it will be very beneficial to our shareholders if we're successful.

Hinze: Another big feature of your other metals trusts (e.g., gold and silver) is that you have structured them to allow for At-The-Market (ATM) offerings. Can you please explain how an ATM works and how you anticipate this will enhance the new uranium trust?

Ciampaglia: The ATM program will allow us to sell new units into the market when the demand is present. To ensure there is no dilution to existing shareholders, new units must be priced at a premium to the previous day's closing NAV. By using an ATM rather than relying on marketed offerings, we will be able to dramatically reduce financing costs and, more importantly, be more active in the spot market. We have used this tool very effectively in our other Trusts, and we are confident it will work to benefit SPUT shareholders too.

Hinze: You announced that WMC Energy will act as the trust's technical advisor. Can you please describe WMC's role? Specifically, I believe WMC will act as the face of the trust towards the industry in terms of procuring uranium. How do you and WMC plan to approach future purchasing activities on behalf of the trust?

Ciampaglia: Sprott Asset Management will be responsible for the management of the Trust, but WMC Energy will act as our Technical Advisor. This means they will be the interface to the uranium market for the Trust, lining up supply for purchases, managing the inventory and storage agreements, and assisting us in marketing when needed. Our approach to future purchases of uranium will be to meet the investment objectives of the Trust while using a diverse procurement strategy in order to serve the best interests of our investors.

Hinze: There are some in the industry that may be concerned about how this new trust will affect the uranium market. For example, some utilities and other buyers may feel that they will be competing with the trust for pounds in the spot market. Meanwhile, some producers and other sellers may be concerned that the trust will sell uranium back into the market out in the future. How would you respond to these various concerns?

Ciampaglia: We believe the uranium market needs to evolve and mature, and we hope our involvement will act as a catalyst. ETFs have modernized other commodity markets,

Overview of Sprott Physical Uranium Trust (SPUT)

- Inception date: July 19, 2021
- Fund type: Closed-End Trust
- Trading on Toronto Stock Exchange (TSX) under tickers U.U (\$US) and U.UN (\$CA)
- Total current holdings include 18,094,658 pounds U₃O₈ and 300,000 kgU of UF₆ (as of July 16, 2021)
- Storage providers and locations: Cameco (Canada); ConverDyn (U.S.); Orano (France); Urenco (U.S.)

such as gold and silver, which, prior to the creation of ETFs, did not have meaningful investor ownership. The emergence of commodity ETFs greatly enhanced liquidity, price discovery, etc. and attracted a wide range of new participants to the sector. We believe our Trust can play an active role in the uranium market and be a positive force for change. As for selling, it is not our intention to sell back into the market and we will not speculate or trade uranium to take advantage of short-term fluctuations in price.

Hinze: What are the biggest benefits you foresee that this new trust can bring to the uranium market? How do you expect the existence of this trust will shape the future for investors, producers, utilities, intermediaries, and others focused on uranium?

Ciampaglia: As noted above, we hope to increase investor interest in the sector, provide investors with a vehicle that offers superior liquidity, transparency, and simplicity. The evolution of a market leads to positive developments that benefit many industry participants. In a larger perspective, through our marketing efforts we are also looking to inform and educate the investment community about the advantages of nuclear power and its crucial role in a low carbon economy. In a time when investment interest and policy support are aligned for emission free technologies, we believe it is a great opportunity to raise awareness about the nuclear industry as a whole.

Hinze: There has already been a lot of commentary out there about Sprott's entry into the physical uranium market. What misconceptions do you think currently exist that should be corrected?

Ciampaglia: I get the sense that some believe our entrance will transform the uranium market overnight. I think it will be more evolutionary versus revolutionary. We have every intention of growing the Trust, but it will take time, and it has to be done thoughtfully. Same for the U.S. listing. It will take time to secure a U.S. listing, but we are determined to make it happen.

Hinze: Given your long-standing experience in managing physical trusts in other metals, what are the biggest lessons from your previous experiences in these other markets and how can they be applied to the new Sprott Physical Uranium Trust?

Ciampaglia: Trust is key. Investors want to entrust their capital to a proven and credible manager. That is how we have built our other investment vehicles, and that's what we will do with SPUT. Our commitment to transparency is extremely important to our unitholders. We are committed to providing outstanding investor relations, access to subject matter experts and a high degree of responsiveness to investor inquiries. Our success with our Physical Bullion Trusts is a great example of how investors' trust in our brand has attracted them to our funds. We have also learned the importance of investor education, particularly in less understood niche markets. This must be a continuous process. You can't go dark when markets get tough. You need to help investors stay focused on the long-term potential of the category. Finally, as we've discussed above, we have learned that the ATM is a tremendously efficient tool to grow our Trusts and a really positive experience for all investors.

Hinze: Is there anything else that I have not asked that you would like to address? Also, what final message do you have for our readers regarding Sprott's future activity in the uranium market?

Ciampaglia: I would hope that our entrance into the market will be perceived as being positive. We are very focused on ensuring that shareholders of UPC are well served by Sprott. It's a commitment we have made and take it very seriously. Thank you for the opportunity to discuss our Uranium Trust. For more information and disclosures about the Trust, please visit www.Sprott.com/Uranium

Hinze: Thank you again for agreeing to this interview and taking the time to provide detailed responses to my questions. On behalf of our Ux Weekly readers, I am quite certain that everyone in the global nuclear fuel markets has found your comments to be extremely interesting and enlightening.